

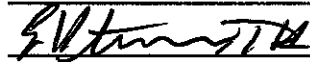
**MONTHLY OPERATING REPORT****CHAPTER 11**CASE NAME: Warehouse 86, LLCCASE NUMBER: 08-03423-EEFor Period August 1 to August 31, 20 10Mark One Box For Each  
Required Report/Document**THIS REPORT IS DUE 15 DAYS AFTER THE END OF THE MONTH.**The debtor must attach each of the following reports unless the  
United States Trustee has waived the requirement in writing. File original  
with Clerk of Court and duplicate with UST with an original signature.

| Report/Document<br>Attached          | Previously<br>Waived | REQUIRED REPORTS/DOCUMENTS  |
|--------------------------------------|----------------------|---|
| (mark only one - attached or waived) |                      |   |
| (x)                                  | ( )                  | Comparative Balance Sheet (Form 2-B)  |
| (x)                                  | ( )                  | Profit and Loss Statement (Form 2-C)  |
| (x)                                  | ( )                  | Cash Receipts & Disbursements Statement (Form 2-D)  |
| (x)                                  | ( )                  | Supporting Schedules (Form 2-E)   |
| (x)                                  | ( )                  | Narrative (Form 2-F)  |
| (x)                                  | ( )                  | Copies of Bank Statement(s) and Reconciliations of Bank Balance to Book<br>Balance for all Account(s) |

I declare under penalty of perjury that the following Monthly Financial Report and any  
attachments thereto, are true and correct to the best of my knowledge and belief.

Executed on: October 6, 2010Debtor(s)\*: Warehouse 86, LLC

By:\*\*



Position:

Chief Financial Officer

Name of Preparer:

Ernest K. Strahan, III

Telephone No.

of Preparer:

901-628-8545

\*both debtors must sign if a joint petition

\*\*for corporate or partnership debtor

CASE NAME: Warehouse 86, LLC

CASE NUMBER: 08-03423-EE

### COMPARATIVE BALANCE SHEET

|  | Filing Date | Month    |         |         |        |        |        |        |
|--|-------------|----------|---------|---------|--------|--------|--------|--------|
|  |             | 11/04/08 | Mar-10  | Apr-10  | May-10 | Jun-10 | Jul-10 | Aug-10 |
| <b>ASSETS:</b>                             |             |          |         |         |        |        |        |        |
| <b>CURRENT ASSETS:</b>                     |             |          |         |         |        |        |        |        |
| Cash ***                                   | 89,361      | 71,837   | 71,086  | 71,091  | 35,509 | 34,860 | 34,862 |        |
| Accounts Receivable, Net                   | 152,270     | 611      | 611     | 611     | 611    | 611    | 611    |        |
| Inventory, at lower of cost or market      | 73,633      | 0        | 0       | 0       | 0      | 0      | 0      |        |
| Prepaid expenses & deposits*               | 68,702      | 66,044   | 66,044  | 66,044  | 61,297 | 61,297 | 61,297 |        |
| Other                                      |             |          |         |         |        |        |        |        |
| <b>TOTAL CURRENT ASSETS</b>                | 383,966     | 138,492  | 137,741 | 137,746 | 97,417 | 96,768 | 96,770 |        |
| <b>PROPERTY, PLANT &amp; EQUIPMENT**</b>   | 2,178,073   | 0        | 0       | 0       | 0      | 0      | 0      |        |
| Less accumulated depreciation              | -1,124,978  | 0        | 0       | 0       | 0      | 0      | 0      |        |
| <b>NET PROPERTY, PLANT &amp; EQUIPMENT</b> | 1,053,096   | 0        | 0       | 0       | 0      | 0      | 0      |        |
| <b>OTHER ASSETS</b>                        |             |          |         |         |        |        |        |        |
| Interests in incorporated businesses       | 6,573       | 0        | 0       | 0       | 0      | 0      | 0      |        |
| Insurance claim from tornado & fire        |             |          |         |         |        |        |        |        |
| registered name, customer lists            |             |          |         |         |        |        |        |        |
| (unknown)                                  |             |          |         |         |        |        |        |        |
| <b>TOTAL OTHER ASSETS</b>                  | 6,573       | 0        | 0       | 0       | 0      | 0      | 0      |        |
| <b>TOTAL ASSETS</b>                        | 1,443,634   | 138,492  | 137,741 | 137,746 | 97,417 | 96,768 | 96,770 |        |

If assets are carried at historical cost on debtor's accounting records and debtor elects to show them as such on the monthly reports, note the change above and include remarks on FORM 2-F (Narrative). All subsequent reports must then carry these assets at that value. Do not use historical cost one month and fair market value the next.

\*\* This number does not include \$1,117,225.84, the estimated reduction due to the tornado/fire.

\* This is a corrected number to reflect that the pre-petition retainer of \$35,000 should have properly been shown as a pre-petition legal expense since there was no balance as of the date of the filing of the bankruptcy petition.

CASE NAME: Warehouse 86, LLC

CASE NUMBER: 08-03423-EE

## COMPARATIVE BALANCE SHEET

| LIABILITIES:                            | Filing Date | Month       |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   |             | 11/04/08    | Mar-10      | Apr-10      | May-10      | Jun-10      | Jul-10      | Aug-10      |
| POST-PETITION LIABILITIES ***           |             |             |             |             |             |             |             |             |
| Taxes Payable (FORM 2-E, P. 1 of 3)     |             |             | -           | -           | -           | -           | -           | -           |
| Accounts Payable (FORM 2-E, P. 1 of 3)* | 0           |             | -           | -           | -           | -           | -           | -           |
| Other - DIP Loan                        |             |             | -           | -           | -           | -           | -           | -           |
| TOTAL POST-PETITION LIABILITIES         | 0           |             | -           | -           | -           | -           | -           | -           |
| PRE-PETITION LIABILITIES ***            |             |             |             |             |             |             |             |             |
| Notes Payable-Secured                   | 1,264,902   |             | 3,732       | 3,732       | 3,732       | 3,732       | 3,732       | 3,732       |
| Priority Debt                           | 9,000       |             | 9,000       | 9,000       | 9,000       | 9,000       | 9,000       | 9,000       |
| Priority Debt-Unsecured                 | 19,000      |             | 19,000      | 19,000      | 19,000      | 19,000      | 19,000      | 19,000      |
| Unsecured Debt**                        | 2,562,082   |             | 2,516,413   | 2,516,413   | 2,516,413   | 2,516,413   | 2,516,413   | 2,516,413   |
| Other                                   |             |             |             |             |             |             |             |             |
| TOTAL PRE-PETITION LIABILITIES          | 3,854,984   |             | 2,548,145   | 2,548,145   | 2,548,145   | 2,548,145   | 2,548,145   | 2,548,145   |
| TOTAL LIABILITIES                       | 3,854,984   |             | 2,548,145   | 2,548,145   | 2,548,145   | 2,548,145   | 2,548,145   | 2,548,145   |
| EQUITY (DEFICIT)                        |             |             |             |             |             |             |             |             |
| PREFERRED STOCK                         |             |             |             |             |             |             |             |             |
| COMMON STOCK                            |             |             |             |             |             |             |             |             |
| PAID-IN CAPITAL                         |             |             |             |             |             |             |             |             |
| RETAINED EARNINGS                       |             |             |             |             |             |             |             |             |
| Through Filing Date****                 | (2,411,350) | (2,411,350) | (2,411,350) | (2,411,350) | (2,411,350) | (2,411,350) | (2,411,350) | (2,411,350) |
| Post Filing Date                        |             | 946         | 946         | 951         | (39,378)    | (40,027)    | (40,026)    |             |
| TOTAL EQUITY (NET WORTH)                | (2,411,350) | (2,410,404) | (2,410,404) | (2,410,399) | (2,450,728) | (2,451,377) | (2,451,376) |             |
| TOTAL LIABILITIES & EQUITY              | 1,443,634   | 137,741     | 137,741     | 137,746     | 97,417      | 96,768      | 96,769      |             |

\*Reflects disputed insurance charge-Reconciled June 2009

\*\*Reflects payment of utility charges and insurance premiums pursuant to court order

\*\*\*Reflects updated November pre and post-petition liability balances due to final reconciliation.

\*\*\*\*This reflects a change to move a \$35,000 pre-petition retainer that should have been a pre-petition legal expense.

CASE NAME: Warehouse 86, LLC

CASE NUMBER: 08-03423-EE

# PROFIT AND LOSS STATEMENT

|   | Month<br>Mar-10 | Month<br>Apr-10 | Month<br>May-10 | Month<br>Jun-10 | Month<br>Jul-10 | Month<br>Aug-10 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>NET REVENUE</b>  | 0               | 0               | 0               | 0               | 0               | 0               |
| <b>COST OF GOODS SOLD:</b>  |                 |                 |                 |                 |                 |                 |
| Material  | 0               | 0               | 0               | 0               | 0               | 0               |
| Labor-Direct  | 0               | 0               | 0               | 0               | 0               | 0               |
| Overhead  | 0               | 0               | 0               | 0               | 0               | 0               |
| <b>TOTAL COST OF GOODS SOLD</b>                                     | 0               | 0               | 0               | 0               | 0               | 0               |
| <b>GROSS PROFIT</b>   | 0               | 0               | 0               | 0               | 0               | 0               |
| <b>OPERATING EXPENSES</b>   |                 |                 |                 |                 |                 |                 |
| Selling & Marketing   |                 |                 |                 |                 |                 |                 |
| General & Administration (Rents, ****<br>utilities, salaries, etc.) | (282)           | 650             | 0               | 40,331          | 650             | 0               |
| Other   |                 |                 |                 |                 |                 |                 |
| <b>TOTAL OPERATING EXPENSES</b>                                     | (282)           | 650             | 0               | 40,331          | 650             | -               |
| <b>INTEREST EXPENSE</b>   | 44              | 101             | (5)             | (2)             | (1)             | (1)             |
| <b>INCOME BEFORE DEPRECIATION OR TAXES</b>                          | 238             | (751)           | 5               | (40,329)        | (649)           | 1               |
| <b>DEPRECIATION OR AMORTIZATION:</b>                                | 0               | 0               | 0               | 0               | 0               | 0               |
| <b>OTHER INCOME</b>   | 0               | 0               | 0               | 0               | 0               | 0               |
| <b>GAIN/LOSS ON DISPOSAL OF FIXED ASSETS</b>                        | 0               | 0               | 0               | 0               | 0               | 0               |
| <b>NET INCOME (LOSS)</b>  | 238             | (751)           | 5               | (40,329)        | (649)           | 1               |

\*Requires explanation in NARRATIVE (FORM 2-F).

\*\*\*\* A correction was made to the interest expense and G&A for March to reflect the incorrect entry of a voided check.

CASE NAME: Warehouse 86, LLCCASE NUMBER: 08-03423-EE**CASH RECEIPTS AND DISBURSEMENTS STATEMENT**For Period August 1 to August 31, 20 10**CASH RECONCILIATION**

|    |   |    |    |        |
|----|---|----|----|--------|
| 1. | Beginning Cash Balance (Ending Cash Balance from last month's report)       |    | \$ | 34,860 |
| 2. | Cash Receipts (total Cash Receipts from page 2 of all FORM 2-D's)           | \$ | 1  |        |
| 3. | Cash Disbursements (total Cash Disbursements from page 3 of all FORM 2-D's) | \$ | 0  |        |
| 4. | Net Cash Flow   |    | \$ | 1      |
| 5. | Ending Cash Balance (to FORM 2-B)   |    | \$ | 34,862 |

**CASH SUMMARY - ENDING BALANCE**

|                                      | Amount*   | Financial Institution       |
|--------------------------------------|-----------|-----------------------------|
| 1. Operating Account                 | \$ -      | Bank of America-3903        |
| 2. Operating Account                 | \$ -      | Bank of America-9451        |
| 3. Payroll Account                   | \$ -      | Bank of America-5429        |
| 4. Sales Account                     | \$ -      | PayPal                      |
| 5. Sales Account                     | \$ -      | PayPal Alt                  |
| 6. Money Market Account              | \$ 34,862 | Bank of America-DIP         |
| 7. Operating Account                 | \$ -      | Bank of America-DIP         |
| 8. Payroll Account                   | \$ -      | Bank of America-DIP Payroll |
| TOTAL (must agree with line 5 above) | \$ 34,862 |                             |

\*These amounts should be equal to the previous month's balance for the account plus this month's receipts less this month's disbursements.

**ADJUSTED CASH DISBURSEMENTS**

Cash disbursements on Line 3 above less  
inter-account transfers & UST fees paid \$ 0

\*NOTE: This amount should be used to determine UST quarterly fees due and agree with Form 2-D, page 2 of 4.

CASE NAME: Warehouse 86, LLCCASE NUMBER: 08-03423-EE**QUARTERLY FEE SUMMARY**

MONTH ENDED AUGUST 2010

| Payment Date | Cash Disbursements* | Quarterly Fee Due | Check No. | Date     |
|--------------|---------------------|-------------------|-----------|----------|
| January      | \$ 36,540           |                   |           |          |
| February     | \$ 40               |                   |           |          |
| March        | \$ 27               |                   |           |          |
| Total        |                     |                   |           |          |
| 1st Quarter  | \$ 36,607           | \$ 650            | 20103     | 04/22/10 |
| April        | \$ 107              |                   |           |          |
| May          | \$ 1                |                   |           |          |
| June         | \$ 35,584           |                   |           |          |
| Total        |                     |                   | 600001    | 07/16/10 |
| 2nd Quarter  | \$ 35,692           | \$ 650            | 600002    | 07/17/10 |
| July         | \$ 0                |                   |           |          |
| August       | \$ 0                |                   |           |          |
| September    | \$                  |                   |           |          |
| Total        |                     |                   |           |          |
| 3rd Quarter  | \$ 0                | \$                |           |          |
| October      | \$                  |                   |           |          |
| November     | \$                  |                   |           |          |
| December     | \$                  |                   |           |          |
| Total        |                     |                   |           |          |
| 4th Quarter  | \$ 0                | \$                |           |          |

Fee Schedule  
DISBURSEMENT CATEGORY

QUARTERLY FEE DUE

|                            |          |
|----------------------------|----------|
| Less than \$14,999.00      | \$325    |
| \$15,000-\$74,999.99       | \$650    |
| \$75,000-\$149,999.99      | \$975    |
| \$150,000-\$224,999.99     | \$1,625  |
| \$225,000-\$299,999.99     | \$1,950  |
| \$300,000-\$999,999.99     | \$4,875  |
| \$1,000,000-\$1,999,999.99 | \$6,500  |
| \$2,000,000-\$2,999,999.99 | \$9,750  |
| \$3,000,000-\$4,999,999.99 | \$10,400 |
| \$5,000,000 and above      | \$13,000 |

Note that a minimum payment of \$250 is due each quarter even if no disbursements are made in the case during the period.

\*Note: should agree with "adjusted cash disbursements" at bottom of Form 2-D, Page 1 of 4. Disbursements are net of transfers to other debtor in possession bank accounts and net of payments of prior period quarterly fees.

CASE NAME: Warehouse 86, LLCCASE NUMBER: 08-03423-EE**CASH RECEIPTS AND DISBURSEMENTS STATEMENT**

(This form should be completed for each type of account  
listed on page 1 of FORM 2-D that the debtor maintained during the month.)

For Period August 1 to August 31, 20 10Account Name: DIP-Money Market Account Account Number: 3755555454**CASH RECEIPTS JOURNAL**

(attach additional sheets as necessary)

| <u>Date</u> | <u>Description (Source)</u> | <u>Amount</u> |
|-------------|-----------------------------|---------------|
| 08/31/2010  | Interest Income             | 1.49          |

Total Cash Receipts \$ 1.49

CASE NAME: Warehouse 86, LLC

CASE NUMBER: 08-03423-EE

### CASH RECEIPTS AND DISBURSEMENTS STATEMENT

(This form should be completed for each type of account  
listed on page 1 of FORM 2-D that the debtor maintained during the month.)

For Period August 1 to August 31, 20 10

Account Name: DIP-Money Market Account Account Number: 3755555454

### CASH DISBURSEMENTS JOURNAL

(attach additional sheets as necessary)

| <u>Date</u> | <u>Check No.</u> | <u>Payee</u>    | <u>Description (Purpose)*</u> | <u>Amount</u> |
|-------------|------------------|-----------------|-------------------------------|---------------|
| 08/31/2010  |                  | Bank of America | Service charge                | \$0.27        |

Total Cash Disbursements \$0.27

\*Identify any payments to professionals, owners, partners, shareholders, officers, directors or any insiders and all adequate protection payments ordered by the court with an asterisk or highlighting. Any payments made as a result of a court order, should indicate the order date.





CASE NAME: Warehouse 86, LLC CASE NUMBER: 08-03423-EE

**SUPPORTING SCHEDULES**

For Period August 1 to August 31, 2010

**INSURANCE SCHEDULE**

| Type                               | Carrier/Agent  | Coverage (\$) | Date of Expiration | Premium Paid |
|------------------------------------|--|---------------|--------------------|--------------|
| General Liability                  | Employers Mutual Casualty<br>Marchetti Robertson & Brickell        | 1,000,000     | 4/15/09            | Yes          |
| Property (Fire, Theft)             | Employers Mutual Casualty<br>Marchetti Robertson & Brickell        | 1,000,000     | 4/15/09            | Yes          |
| Vehicle                            | General Insurance Co. of America<br>Marchetti Robertson & Brickell | 1,000,000     | 4/29/09            | Yes          |
| Other (list):<br>Excess/Umbrella** | National Union Fire Ins. Co.<br>Marchetti Robertson & Brickell     | 3,000,000     | 4/29/09            | Yes          |

\*\*Umbrella Liability policy was cancelled on 4/29/09 when last of underlying insurance coverage expired.

**Note: All insurance policies are expired, as there are no employees or property to insure.**

(1) Attach copy of certificate of insurance or declaration page of policy for any coverage renewed or replaced during the current reporting month.

(2) For the premium paid column enter "yes" if payment of premium is current or "no" if premium payment is delinquent. If "no", explain on Form 2-F, Narrative.



**Bank of America**

CUSTOMER CONNECTION  
BANK OF AMERICA, N.A.  
DALLAS, TEXAS 75283-2406

Account Number 3755555454  
01 01 149 01 M0000 E# 0  
Last Statement: 07/30/2010  
This Statement: 08/31/2010

HH

|||||  
NX 0000 01 000 310 021588 #001 SP 0.357  
WAREHOUSE 86 LLC  
DEBTOR IN POSSESSION #08-03423  
MMS ACCOUNT  
PO BOX 16692  
JACKSON MS 39236

Customer Service  
1-877-757-8233

Page 1 of 2

nkruptcy Case Number:0803423

## MONEY MARKET SAVINGS

### Account Summary Information

|  |                             |           |
|--|-----------------------------|-----------|
| Statement Period 07/31/2010 - 08/31/2010 | Statement Beginning Balance | 34,860.29 |
| Number of Deposits/Credits 1             | Amount of Deposits/Credits  | 1.49      |
| Number of Checks 0                       | Amount of Checks            | .00       |
| Number of Other Debits 1                 | Amount of Other Debits      | .27       |
|  | Statement Ending Balance    | 34,861.51 |
| Number of Enclosures 0                   |                             |           |
|  | Service Charge              | .27       |

### Interest Information

|                                     |                            |       |
|-------------------------------------|----------------------------|-------|
| Amount of Interest Paid 1.49        | Interest Paid Year-to-Date | 19.15 |
| Annual Percentage Yield Earned .05% |                            |       |

### Deposits and Credits

| Date Posted | Customer Reference | Amount | Description   | Bank Reference |
|-------------|--------------------|--------|---|----------------|
| 08/31       |                    | 1.49   | INTEREST PAID ON 31 DAYS AVERAGE COLLECTED BALANCE OF \$34,860.29 | 0984000342     |

### Withdrawals and Debits

#### Other Debits

| Date Posted | Customer Reference | Amount | Description     | Bank Reference |
|-------------|--------------------|--------|-----------------|----------------|
| 08/31       |                    | .27    | FDIC ASSESSMENT |                |

### Daily Balances

| Date  | Ledger Balance | Collected Balance | Rate | Date  | Ledger Balance | Collected Balance | Rate |
|-------|----------------|-------------------|------|-------|----------------|-------------------|------|
| 07/30 | 34,860.29      | 34,860.29         | .050 | 08/31 | 34,861.51      | 34,861.51         | .050 |